



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter  
FIL-39-2019  
July 12, 2019

## Regulatory Capital Rules: Treatment of Land Development Loans for the Definition of High Volatility Commercial Real Estate (HVCRE) Exposure

**Summary:** The federal banking agencies are issuing a notice of proposed rulemaking (proposal) to seek comment on the treatment of loans that solely finance the development of land for purposes of the one- to four-family residential properties exclusion in the definition of high volatility commercial real estate (HVCRE) exposure in the agencies' regulatory capital rule. This proposal expands on the notice of proposed rulemaking issued on September 28, 2018, which proposed to revise the definition of HVCRE exposure in the regulatory capital rule to conform to the statutory definition of a "high volatility commercial real estate acquisition, development, or construction (HVCRE ADC) loan," in accordance with section 214 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*.

**Statement of Applicability to Institutions with Total Assets Under \$1 Billion:** This Financial Institution Letter is applicable to all institutions.

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### Attachment:

[Regulatory Capital Treatment of Certain Land Development Loans for the Definition of High Volatility Commercial Real Estate Exposures](#)

### Related Topics:

Risk-Based Capital Rules, 12 CFR Part 324

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### Highlights

- For a loan to be eligible for the one- to four-family residential properties exclusion from the HVCRE exposure definition, the credit facility would be required to include financing for construction of one- to four-family residential structures.
- The one- to four-family residential properties exclusion would not include credit facilities that solely finance land development activities, such as the laying of sewers, water pipes, and similar improvements to land.
- A facility that solely finances land development would be categorized as an HVCRE exposure, unless the exposure meets another exclusion from the revised HVCRE exposure definition.
- Comments to this proposal will be accepted for 30 days after the date of publication of this proposal in the Federal Register.